

Message Text

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42

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 INRE-00 SSO-00 NSCE-00 USIE-00

AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03 H-02 PA-01

PRS-01 /079 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 2488

LIMITED OFFICIAL USE BUENOS AIRES 5836

PASS TREASURY AND COMMERCE

E.O. 11652: N/A

TAGS: EFIN, EGEN, AR

SUBJECT: CENTRAL BANK PROPOSAL TO FOREIGN FIRMS ON SWAPS

REF: A) BUENOS AIRES 5523; B) BUENOS AIRES 5812

1. AT AMERICAN CHAMBER OF COMMERCE BOARD MEETING, AUG. 27, PRESIDENT OF LOCAL PEPSI COLA REPORTED ON MEETING AT CENTRAL BANK AT WHICH BANK PROPOSED TO FOREIGN FIRMS THAT THEY INCREASE THEIR SWAPS IN ARGENTINA BY 50 PERCENT.

2. PEPSI HAD BEEN INVITED TO ATTEND MEETING, HE SAID, WITHOUT BEING INFORMED OF ITS PURPOSE. ON ARRIVAL, PEPSI BOARD MEMBER FOUND THAT OFFICERS HAD BEEN INVITED FROM 20 MAJOR FIRMS ALL ENGAGED IN SWAP OPERATIONS WITH A COMMITMENT TOTAL OF 800 MILLION DOLLARS. IN ADDITION TO CENTRAL BANK BOARD MEMBERS, GUIDO DI TELLA, SECRETARY FOR PROGRAMMING AND ECONOMIC COORDINATION, ECONOMY MINISTRY, WAS PRESENT.

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3. FIRMS WERE ASKED TO AGREE TO THE FOLLOWING:

A) THEY SHOULD ROLL OVER 100 PERCENT OF CURRENT SWAPS;
B) THEY SHOULD INCREASE THEIR SWAP POSITION BY 50 PERCENT
(THUS BRINGING IN ANOTHER 400 MILLION DOLLARS;
C) IN RETURN, THE CENTRAL BANK WOULD AUTHORIZE THE NEW
"SPECIAL RATE" OF 63 PESOS PER DOLLAR TO BE APPLIED TO
THE FORTHCOMING SWAPS. FIRMS WERE ASKED TO REPLY TO
CENTRAL BANK BY 3:00 PM AUG. 28.

4. ACCORDING PEPSI REP, REACTION OF THOSE PRESENT NEGATIVE.
ONE REP ASKED WHAT POSSIBLE REASON COULD HE GIVE
TO US HEADQUARTERS FOR INCREASING SWAP POSITION. BUSINESS
WAS DOWN, FORCAST GLOOMY, AND HIS FIRM HAD NO USE
FOR THE MONEY HERE AT THIS TIME. OTHER VIEWS EXPRESSED
WERE MUCH STRONGER.

5. COMMENT: GOA IS CLEARLY EXPLORING EVERY POSSIBLE MEANS TO
IMPROVE ITS EXTERNAL POSITION.
HILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, FOREIGN INVESTMENT, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS05836
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750300-0189
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975082/aaaaabji.tel
Line Count: 79
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BUENOS AIRES 5523, 75 BUENOS AIRES 5812
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 02 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 SEP 2003 by WorrelSW>; APPROVED <18 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL BANK PROPOSAL TO FOREIGN FIRMS ON SWAPS
TAGS: EFIN, EGEN, EINV, AR, AMCHAMS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006